

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 /077 W

-----111079 240315Z /64

R 231603Z SEP 77

FM AMEMBASSY TUNIS

TO SECSTATE WASHDC 8382

INFO AMEMBASSY ALGIERS

AMEMBASSY PARIS

AMEMBASSY RABAT

AMEMBASSY TRIPOLI

UNCLAS TUNIS 6802

USOECD ALSO FOR EMBASSY

DEPT PASS TREASURY, COMMERCE, EXIM AND OPIC

E.O. 11652: N/A

TAGS: EGEN, EFIN, TS

SUBJ: CHANGES IN BANK INTEREST RATES

1. THE BCT (CENTRAL BANK OF TUNISIA) IN A DECREE THAT TOOK EFFECT SEPTEMBER 1: RAISED GENERAL BORROWING RATES AN AVERAGE OF .75 PERCENT, CONTINUED OFFERING PREFERRED INTEREST RATES TO SPECIAL CATEGORIES OF ACTIVITIES, AND RAISED INTEREST RATES ON TIME DEPOSITS AN AVERAGE OF .5 PERCENT. THESE ACTIONS ARE MEANT TO HELP CHANNEL FUNDS INTO PRODUCTIVE INVESTMENTS AND GENERATE INCREASED DOMESTIC SAVINGS TO ACHIEVE THE GOALS OF THE FIFTH DEOEOLOPMENT PLAN.

2. EFFECTIVE SEPTEMBER 1, INTEREST RATES ON LOANS NOW VARY FROM A MINIMUM OF 4 PERCENT TO A MAXIMUM OF 8.75 PERCENT. THE PREVIOUS RANGE WAS 4 TO 8 PERCENT. PREFERRED INTEREST RATES IN THE 4-6 PERCENT RANGE CONTINUE TO BE AVAILABLE FOR CERTAIN TYPES
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OF HOME CONSTRUCTION, AGRICULTURAL EQUIPMENT, EXPORT INDUSTRIES AND INDUSTRIES LOCATED IN THE LESS DEVELOPED AREAS OF TUNISIA. COMMERCIAL BANKS MAY NOW CHARGE FROM 5.5 TO 8.75 PERCENT ON ALL OTHER TYPES OF COMMERCIAL AND PRIVATE LOANS.

3. MEANWHILE, TO FURTHER STIMULATE DOMESTIC SAVINGS, THE BCT HAS RAISED THE INTEREST PAID ON DEMAND AND TIME DEPOSITS. RATES

NOW VARY ON TIME DEPOSITS FROM 1.5 PERCENT FOR PERIODS OF LESS THAN 3MONTHS TO 7.5 PERCENT FOR PERIODS OF MORE THAN TWO YEARS. THE PREVIOUS RANGE HAD BEEN 1.5 TO 7.0 PERCENT. THERE IS NO MINIMUM DEPOSIT REQUIREMENT FOR ANY OF THESE TIME ACCOUNTS, AND FOR THE FIRST TIME THERE ARE DIFFERENT RATES FOR INDIVIDUALS AND INSTITUTIONS (RATES FOR INDIVIDUALS ARE .5 TO 1 PERCENT HIGHER.) DEMAND DEPOSITS WERE .5 PERCENT FOR INDIVIDUAL AND COMMERCIAL ACCOUNTS; THE RATES ARE NOW 2 PERCENT FOR INDIVIDUAL ACCOUNTS AND 1 PERCENT FOR BUSINESS ACCOUNTS.

4. EARLIER THIS YEAR THE BCT LOWERED THE RESERVE REQUIREMENTS ON DEMAND DEPOSITS FROM 6.5 PERCENT TO 4.5 PERCENT. RECENT REPORTS SUGGEST THIS ACTION HAS FREED 7 MILLION DINARS OF RESERVES IN THE FIRST QUARTER AND 6 MILLION IN THE SECOND QUARTER. MULCAHY

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